

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3274-02
BILL NO. HJR 58
SUBJECT: Constitutional Amendment: Taxation and Revenue - Property
TYPE: Original
DATE: February 18, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$65,700)	(Unknown)	(Unknown)
Blind Pension	\$0	(\$237,000)	(\$265,000)
Partial Estimated Net Effect on <u>All</u> State Funds*	(\$65,700)	(\$237,000)	(\$265,000)

*Does not include possible increased cost to fully fund Foundation Formula

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(\$0 to \$46,500,000)	(\$0 to \$52,000,000)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue** stated that the proposal would not affect that agency, administratively.

Officials of the **Department of Elementary and Secondary Education** noted that, in times of rising property values, the proposal would decrease property values and tax collections. This would reduce the deductions in the Foundation Formula, which would increase the amount needed to fully fund the Formula.

State Tax Commission (TAX) officials estimated possible loss of income. The 1990 census indicated that 25% of occupied housing units are occupied by persons 65 or older. Recent increases in assessments for residential properties have been 12% in reassessment years (or about \$3,100,000,000 affecting FY 2002). Assuming over-64's account for 25% of the increase and an average tax rate of \$5.87 per \$100 assessed valuation, the possible loss computes to about \$46,500,000 for FY 2002 and \$52,000,000 for FY 2003. The Blind Pension Fund Tax, which is \$.03 per \$100 assessed valuation, reimbursement would be about \$237,000 in FY 2002 and approximately \$265,000 in FY 2003.

Oversight notes that those political subdivisions which are not taxing at their tax rate ceilings could raise their tax rates and recover some of the foregone taxes by redistributing the tax burden to other taxpayers.

Advertisement costs for the proposal would be \$4,380 per newspaper column inch for three publications of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2000 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost to General Revenue Fund

Secretary of State

Newspaper Advertisements	(\$65,700)	\$0	\$0
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<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
<u>Department of Elementary and Secondary Education</u>			
Fully funded Foundation Formula	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$65,700)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

BLIND PENSION FUND

<u>Loss-Reduced Assessments</u>	\$0	(\$237,000)	(\$265,000)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$237,000)</u>	<u>(\$265,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
POLITICAL SUBDIVISIONS			
<u>Loss-Reduced Property Taxes</u>	\$0	(\$0 to \$46,500,000)	(\$0 to \$52,000,000)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(\$0 to \$46,500,000)</u>	<u>(\$0 to \$52,000,000)</u>

DESCRIPTION

This proposal would provide that residential real property owned by persons sixty-five and older be reassessed only upon title transfer or completion of major improvement.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large, circular initial "J" and a long, sweeping horizontal stroke at the end.

Jeanne Jarrett, CPA
Director
February 18, 2000